

Federal Court



Cour fédérale

Date: 20160830

Docket: T-1112-13

Citation: 2016 FC 986

Toronto, Ontario, August 30, 2016

PRESENT: The Honourable Mr. Justice Hughes

BETWEEN:

**E. MISHAN & SONS, INC. AND BLUE
GENTIAN, LLC**

**Plaintiffs
(Defendants by Counterclaim)**

and

**SUPERTEK CANADA INC.,
INTERNATIONAL EDGE, INC. AND
TELEBRANDS CORP.**

**Defendants
(Plaintiffs by Counterclaim)**

JUDGMENT AND REASONS

[1] On June 3, 2016 this Court ordered that a summary trial be held in respect of the Defendant/Plaintiff by Counterclaim Supertek Canada Inc.'s claim under section 7(a) of the *Trade-marks Act*. Reasons for that decision are cited as 2016 FC 613. The summary trial has now been held and these are the Reasons for my decision in respect of that matter.

[2] I provided a Background in respect of this action at paragraphs 3 to 15 of my previous Reasons. At paragraphs 70 and 71 of those Reasons I noted that the only remaining claimant was the Plaintiff by Counterclaim, Supertek Canada Inc. and that its claim was being made only in respect of two potential customers, Canadian Tire and Wal-Mart Canada, and only in respect of the years 2013 and 2014. At the hearing of the summary trial Counsel for Supertek advised the Court that the claim in respect of Wal-Mart Canada was being dropped leaving only the claim in respect of Canadian Tire remaining.

[3] In these Reasons I will refer to Supertek Canada Inc. simply as Supertek and E. Mishan & Sons, Inc. as Emson.

I. Issues

[4] The issues before me may be simply stated:

1. Has Supertek made out its claim that the Defendants by Counterclaim have engaged in conduct contrary to the provisions of section 7(a) of the *Trade-marks Act* in their dealings with Canadian Tire in the years 2013 and 2014 and, if so,
2. Did Supertek suffer damage as a result of that conduct, and
3. What is the measure of damages suffered by Supertek, if any, as a consequence of such conduct?

II. Evidence

[5] The evidence before me comprised a mixture of affidavits, transcripts of cross-examination, read-ins from discovery supplemented by examination and cross-examination of witnesses appearing in person before the Court.

[6] Witnesses who appeared in person before the Court were:

- **Janny Ng**, of Toronto, Ontario. She was, at the relevant time 2013-2014, manager and buyer for “watering” products, such as hoses, for Canadian Tire (often referred to as CTR or CTC in the evidence). She appeared pursuant to a subpoena. She did not speak with Counsel for any of the parties about her evidence before she appeared in Court. During her testimony she was directed to exhibit P7 which was a collection of e-mails largely between her and others at Canadian Tire and one or other of Supertek or Emson. Her evidence was straightforward and candid. I accept her evidence entirely and, to the extent that her evidence may conflict with other evidence, I prefer her evidence. Further, she supplied evidence where it appeared that others cannot remember.
- **Patrick Noiseux**, of St. Malo, Quebec. He is the Vice President, Sales, Marketing and Development of Supertek, the Plaintiff by Counterclaim. His oral evidence supplements the evidence provided in three of his affidavits filed with the Court, exhibits P1, P2 and P3 and the transcript of his cross-examination, exhibit D15.

He provided Supertek's side of the story. He admitted that he had no firsthand knowledge as to what may have transpired between Emson and Canadian Tire or what went on within Canadian Tire itself except for what was set out in certain e-mails that he received from Canadian Tire. His second affidavit, exhibit P2, provides the basis for the losses claimed by Supertek by way of damages. His cross-examination on the point of these losses left me with the impression that he knew very little about what was set out in this part of his affidavit; he was often confused as to the data presented, for instance mixing amounts for United States dollars for Canadian dollars. He was the witness representing Supertek on discovery and portions of the transcript of that discovery and exhibits were made of record as exhibit D16.

- **Edward (Eddie) I. Mishan**, of New York, New York. He is the President of the Defendant by Counterclaim E. Mishan & Sons, Inc., often referred to in the evidence as Emson. His evidence supplements that found in his affidavit exhibits D9, D10 and D11 and the transcript of his cross-examination, exhibit P5. He gave evidence as to his discussions and meetings with representatives for Canadian Tire. I am cautious as to his evidence as he claimed he could not remember certain critical events and was, at times, facile in giving answers. I prefer the evidence of Janny Ng where it conflicts with that of Edward Mishan. He was the witness representing Emson on discovery and portions of the transcript of that discovery and exhibits were made of record as exhibit P8.

- **Jack Guindi**, of Brooklyn, New York. He is a Sales Manager for Emson. His evidence supplements that found in his affidavit, exhibit D12 and the transcript of his cross-examination exhibit P6. He also was involved in discussions and meetings between Emson of Canadian Tire. He had a better memory than Edward Mishan and was more straightforward, however if he had memory lapses or his evidence conflicts with Janny Ng I prefer that of Ms. Ng.
- **Brad A. Heys**, of Toronto, Ontario. He is a Vice President of NERA Economic Consulting, a valuation, economic and financial analysis firm. His evidence by way of a report exhibit D14 was tendered as expert evidence. The parties were agreed as to his expertise (exhibit D23):

Brad Heys is a Chartered Financial Analyst and an expert in the quantification of economic damages. His expertise includes loss quantification in commercial and intellectual property disputes.

His report essentially is a critique of the evidence of Patrick Noiseux as to loss and damage, exhibit P2. He points out many flaws and shortcomings of this evidence but he does not put forth a clear alternative to that evidence except to say that, if the claim against the Defendants by Counterclaim is not made out, then the damages should be nil.

III. Basis for a Section 7(a) Claim

[7] Counsel for the parties are agreed that the essential elements required to establish a claim under section 7(a) of the *Trade-marks Act*, RSC 1985, c. T-13, as amended, are as set out by the

Supreme Court of Canada in *S. & S. Industries Inc. v Rowell*, [1966] SCR 419 at page 424, namely that there must be established in evidence:

1. A false and misleading statement;
2. Tending to discredit the business wares or services of a competition; and
3. Resulting damages.

Counsel are agreed that resulting damage is an essential element of the claim. They are further argued that the damages must flow as a result of the false or misleading statement, that is, that there must be a causation link between the statement and the damage.

IV. What is a False or Misleading Statement

[8] In the *S. & S. Industries* case the “false and misleading” statement was in the form of a solicitor’s letter sent by a solicitor representing a patent owner to a number of the patent owner’s competitors making or selling a competitive product alleged to incorporate the patented feature. That letter is reproduced in the reasons of the Supreme Court at pages 430-431 of the report. I set out the last paragraph of that letter:

You are hereby advised that unless you inform us within the week that you will immediately cease and desist from the manufacture, sale and use of such flat arcuate wires for use in brassieres, you will leave us with no other alternative but to forward the matter to my Canadian associates for institution of legal proceedings for infringement of the aforesaid patent. Your reply is awaited.

[9] It is to be noted that, at the time the letter was sent, there was no judgment of any court declaring the patent to be invalid; it was only subsequently that a Court held the patent to be invalid in an impeachment action instituted by a recipient of such a letter. The criticism leveled by the Court as to false and misleading statements is that the patentee never did commence the threatened legal action but simply relied upon what I will describe as sabre rattling. At page 431, Spence J. wrote:

The defendant, however, instituted no such “legal proceedings for infringement of the aforesaid patent” as it had threatened. One cannot but note that such an action would have been the forthright method which the defendant might have utilized to protect its patent if it honestly believed the patent were valid, and that in such an action by virtue of s. 59 of the Patent Act, the defendant could have obtained an injunction completely protecting its alleged rights. The defendant, however, turned to other methods of “protecting its patent”.

[10] This is to be contrasted with the circumstances addressed by Cullen J. of this Court in *M&I Door Systems Ltd. v Indoro Industrial Door Co. Ltd.* (1989), 25 CPR (3d) 477 (FCTD) where solicitors acting for a patentee wrote letters to prospective customers of a competitor which letters the Court said were “more informative than threatening” and the patentee backed up its claims with Court action even though, in that action, the patent was ultimately held to be invalid. Cullen J. wrote, at page 523:

As already indicated I have determined that Canadian patent No. 1,178,882 is null and void and of no effect. An order revoking and annulling that patent will be made.

In addition, the defendant has claimed, “damages, including punitive and exemplary damages for breach of section 7(a) of the Trade Marks Act”. My response to the defendant’s claim is tempered by the fact that had I found the patent in suit to be valid, I would have had little or no difficulty in determining that the defendant had in fact infringed the patent. The claim for damages is also tempered by the fact that when a corporation has a

registered patent it is prima facie valid and the patentee has the right to act on that basis. However, the patentee must also be aware of the fact that the patent is subject to challenge so that letters or communication directed to the alleged infringer's customers must be very carefully worded and circumspect. I have examined exs. P-17 to P-21 and D-6 which were letters to prospective customers of the defendant. In my view Taylor's letters (exs. P-17 and P-18) are quite restrained and really more informative than threatening. Similarly, the letters emanating from the law firm of Moss Hammond, namely, exs. P-19 to P-21, are follow-ups to the same corporations and again are more informative than threatening. Taylor's letter, which is ex. D-6, uses the stronger phrase: "As these doors were a complete copy of our patented Re-Coil-Away Rolling Rubber Door system, we commenced legal action for patent infringement at that time." Taylor was certainly convinced that this in fact was the case and indeed so strongly convinced that his company launched this particular action for infringement. It may seem, as counsel for the defendant has suggested, a harsh word but it is a word sincerely believed by Taylor and backed up with court action.

As indicated earlier, the plaintiff and defendant are competitors in the roll-up door business so that these letters conceivably could be going to people who might be customers of the plaintiff or future customers of the plaintiff and certainly there would be no intention to offend them or to be threatening in any way.

[11] It can be concluded from these cases that it is not every assertion of a patent or other intellectual property such as an industrial design which may be subsequently be held to be invalid which will be held to constitute a false and misleading statement. The Court must inquire as to the nature and circumstances of the assertions and any subsequent conduct by the party making the assertions.

[12] It is, therefore, important to review the context of the discussions, meetings and e-mails between Emson and Canadian Tire in the relevant period which is essentially the first half of 2013.

[13] Emson supplies, sometimes through a related entity, an expandable hose product to several markets, including Canada, under the name Xhose. It sells it to several Canadian retailers including Canadian Tire and Lowe's. The Xhose was picked up by Canadian Tire in the latter half of 2012, Janny Ng said it was her first significant buy; she found it to be new and innovative. The Xhose was featured in a Canadian Tire dealer fair held in late 2012 and the dealers placed substantial orders for the product, so much so that the unusual step of shipping in the product by air was undertaken. Emson promoted the Xhose through television advertising and the product was sold in Canadian Tire stores on an "as seen on TV" basis.

[14] In or prior to April 2013 Supertek approached several Canadian retailers with its competitive version of the Xhose which it called Pocket Hose. Several retailers bought this product from Supertek with the intention of launching it in a spring promotion. Canadian Tire was approached by Supertek to purchase the Pocket Hose and offered an indemnity in respect of any lawsuit by Emson. This prompted Janny Ng to contact a Canadian Tire in-house legal counsel by e-mail for advice because the Xhose vendor (Emson) was "threatening possible legal action". That e-mail dated May 2, 2013 said:

I was wondering if you could you provide us some guidance on a possible patent issue that has come up regarding two products: Xhose and Pocket Hose.

Before carrying the product, Supertek (vendor supplying with the "Pocket Hose") provided me with a letter indemnifying CTR against any claims made against Pocket Hose along with their legal perspective on the Xhose patent. Xhose is a current vendor for CTR and is aware that we are carrying the Pocket Hose, they are threatening possible legal action.

Can you please review the attachments and provide your legal opinion as soon as possible?

We have the Pocket hose in an upcoming flyer dropping on May 17th and need to know what are the possible implications related to this issue.

[15] Meanwhile Eddie Mishan of Emson was receiving rumours from some Canadian retailers, including Lowe's, that Supertek was trying to sell its Pocket Hose to these retailers, including to Canadian Tire. He flew from New York and met with Canadian Tire, in particular Janny Ng and her boss Greg Ritchie. Janny Ng recalls this as a telephone call, not a meeting. There is no record as to what was said at that meeting or call. Mr. Mishan denies threatening to sue Canadian Tire. Ng's recollection as to what was said was:

- A. *And basically just restating that they have a patent on the Xhose and that they take it very seriously. So they just basically reiterating in that conversation that they have taken action against retailers and suppliers of competing products.*
- Q. *Okay. And what, if anything, did you think he was suggesting would happen to Canadian Tire.*
- A. *That we would be included in that.*

[16] The next day, May3, Janny Ng sent an e-mail to Supertek asking if Canadian Tire could be removed from a television commercial Supertek was going to run about the Pocket Hose. Apparently, Canadian Tire was to be identified (tagged) as one of the retailers offering the Pocket Hose. The e-mail asked if Canadian Tire could be removed from the commercial as Emson was "threatening legal action":

Can we remove CTR from the Pocket Hose commercial?

We met with Emson yesterday and they are threatening legal action, we feel we can still proceed with the flyer and the product

in store that want to be removed from the tv commercials – also they need to be approved by Canadian Tire’s strategic marketing.

Can you do a conference call at 2pm?

[17] Supertek replied at once by e-mail saying that Canadian Tire would not be “tagged” on the commercials:

I have confirmed with Patrick that CTC will not be tagged on any Pocket Hose commercials. The commercials airing will be for general information and will not specify retailers.

The following is a list of retailers in Canada who will have Pocket Hose from us – Jean Coutu, Home Hardware, Home Depot and Staples tbc.

Please let us know if you require any additional information and if you would still like to have the conference call at 2pm.

We appreciate your continued support,

[18] Mimi Bibla of Supertek had a telephone conversation with Janny Ng that same day, May 3. Bibla reported the substance of this conversation to Patrick Noiseux. The substance of the conversation, as set out in the e-mail was that “because of Emson” Canadian Tire would not be purchasing any additional Pocket Hose product but was willing to discuss offering it on an FMA which is internal language in Canadian Tire meaning essentially that individual dealers could order the product from Supertek. Janny Ng said that she could not recall the specifics of this conversation but did not deny that Bibla had reported it correctly. It said:

Recap of call with Janny – as of right now, because of Emson CTC will not be issuing any additional PO’s for Pocket Hose.

Janny will be speaking with Greg their VP) re. the future of Pocket Hose. She will be asking him if they sell out doing the flyer if they can reorder?

Alternatively, if they cannot reorder she will discuss with us the opportunity to offer Pocket Hose on an FMA.

We won't really know more until the end of the flyer.

[19] Further, on May 3, Janny Ng sent an e-mail to Eddie Mishan saying that Canadian Tire could not do anything in respect of the flyer which was already printed but assuring him that the Pocket Hose was a “one time” offer. It said:

We have checked on the status of the Pocket Hose, the flyer has printed and product is already distributed; at this point there is nothing we can do as this is not a Health Canada related recall. We want to state that we did not approach any supplier for their business, in fact we did receive one other pitch for Flex-Able hose that we passed on.

As you know the Pocket Hose is already widely sold on the Internet and many retailers across Canada. Canadian Tire made the decision to do a one-time offer on Pocket Hose to stay competitive in the market after receiving legal information from the Pocket hose vendor. It is unfortunate that the product did make it to retail and we had to proceed with the actions to maintain competitiveness in the market since so many retailers at the time were already carrying the Pocket Hose.

To date only Xhose 50' is carried in line and we are working to add the 75' Xhose and hose hanger to the assortment. Having the products listed in the assortment is a testament of our commitment to Xhose and long term business plans we discussed yesterday.

Greg and I will be in Vegas next week attending the Hardware Show, let us know if

You will be at the show as we would be happy to drop by for a quick meeting.

[20] Mishan responded by asking for a conference call “right now”. Janny Ng’s recollection is that there was such a call the substance of which is set out at page 32 of the transcript of her evidence:

Q. Did you have a call with Mr. Mishan - -

A. Yes.

Q. -- that afternoon?

A. Yes.

Q. And what did he say?

A. So that's where - - I think that's where the email previous is in response to what the conversation I had with - - no, this is after. I think that's where he asked to have it - - to stop sale. In the call he stated that there were various action, legal action, against the suppliers and - - the suppliers of the competitive hoses and retailers, and that he was going to send it to us to let us review for us to assess our actions, and it was very insinuating. It wasn't like we're going to sue Canadian Tire, but it was very insinuating.

Q. Insinuating that?

A. That we could be implicated as a result of carrying the Pocket Hose.

[21] Mishan responded on May 3 by e-mail to Janny Ng and her boss Greg Ritchie saying that “the inventor of the Xhose Patents is very litigious” and providing some details as to three Canadian lawsuits and one each in the Netherlands, France and Australia. He wrote:

As per our conversation the inventor of the Xhose Patents is very litigious against all infringers and marketers. Here are some of the lawsuits that have been filed worldwide and we understand others are being filed shortly. In addition there are also lawsuits filed in the USA.

The inventor takes this matter very seriously.

We look forward to hearing from you regarding the telephone conversation we had today to clear up this matter.

[A brief designation of the six lawsuits follows]

[22] The reference to the “inventor” being litigious is somewhat coy. On discovery Eddie Mishan admitted that the decision makers were he and his brother:

Q. And you're in charge of deciding whether to enforce patents or designs, right?

A. Like I said before, sometimes I'm in charge of it and sometimes it's our attorneys.

Q. Well, they don't decide for Emson.

A. They advise for Emson.

Q. And you decide?

A. But they advise.

Q. And you decide?

A. And we decide.

Q. You and your brother?

A. Yes.

[23] At 1:22 at night of May 4, Ritchie sent an e-mail to Mishan, rather an impatient e-mail, essentially offering Emson two choices, one was to allow Canadian Tire to continue with the one-time promotion unmolested following which Canadian Tire would stick with the Xhose, the other was for Emson to sue Canadian Tire which would result in the end of any business between Canadian Tire and Emson. The e-mail concluded by saying that retailers were choosing Xhose or Pocket Hose and that, at this point Canadian Tire has chosen Xhose. It said:

Hi Eddie,

I was out working in stores all afternoon so I have not been able to get a hold of Janny to get an update on your conversations. Janny and I are at the airport Monday morning and should be able to give you a call around 8 am. We need resolution on this on Monday and from my perspective you there are two outcomes here:

- *The patent holder understand the value in doing business with us and confirms there will be no litigation from the one time promotion on the Pocket Hose, based on that we continue with the plans we have in place to continue to aggressively sell Xhose and expand the assortment through the balance of year, hopefully [sic]yhis leads us to many great opportunities in the Lawn and Garden category over the next few years*
- *The patent holder confirms his intent to sue us over this matter, at that point I do not see us continuing to do business with Xhose and CTC would need to reassess all of our business with related parties*

I apologize if this is too direct but I manage \$750 million for CTC and although Watering is a \$50 million category this product so far is a very small portion of the Watering business and I can't afford to spend time every day discussing possible outcomes. I now have multiple legals documents from multiple manufacturers of expandable hoses including documents indicating other patent holders are suing Xhose for infringing their patents. From the list of retailers currently selling Pocket Hose it seems to be about 1/2 of the Canadian market place and several on-line retailers, everyone seems to be [sic]allgning with one manufacturer or another and at this point we have selected you.

Look forward to sorting this out on Monday

[24] On the following Monday Janny Ng met with Jack Guindi at a trade show in Las Vegas.

Janny Ng's recollection of that consideration is set out at page 35 of the transcript of her evidence:

- A. *Yes. So I met with Jack G. in the show, and basically what I did was reiterate that XHose at that time was the product that was in the assortment. Basically reiterating that the strategy with Pocket Hose was a one-time buy with a specific number of units purchased to support the flyer and the flyer only. At that time it was the right thing to do. XHose and Pocket Hose were both on TV, and because it was widely nationally sold across different retailers, that we would support that strategy and that we wouldn't even*

talk about any more litigation or anything like that, because it was a very stressful conversation for all parties.

Q. So this was you and Jack at the show? Do you remember where you met?

A. Me and Jack, yeah, having that conversation.

[25] On May 10, Greg Ritchie sent an e-mail to Jack Guindi saying that *“it looks like Janny has resolved the issue with you”*.

[26] At various points in her testimony Janny Ng referred to these dealings with Emson as being stressful. I particularly have in mind that the Xhose purchase was her first major transaction. Eddie Mishan and Jack Guindi both denied that, in any meeting or conversation that Emson threatened to sue Canadian Tire. Having observed both of them in the witness box I conclude that they are shrewd, canny, street smart individuals. It is quite possible that no direct statement was made that Emson would sue Canadian Tire. They did not have to, enough was said to leave Janny Ng with the clear impression that Canadian Tire would be sued if they continued to deal with Supertek's Pocket Hose. Her boss, Ritchie, stepped in with a midnight e-mail in effect telling Emson that Canadian Tire would continue with a one-time promotion of the Pocket Hose unmolested by Emson or, if Emson did decide to sue Canadian Tire, the relationship would be at an end. That was the deal as concluded between Ng and Guindi at the Las Vegas trade show, namely that Canadian Tire would continue with the one-time promotion of the Pocket Hose and was not sued by Emson.

[27] I conclude, on the evidence, that Emson, in particular Mishan and Guindi, in their dealings with Canadian Tire, particularly Janny Ng, deliberately and skilfully conducted

themselves so as to leave Canadian Tire with the impression that it would be sued by Emson (as well as the inventor) for patent infringement. That patent, as well as a related industrial design, has been held to be invalid in proceedings against Supertek but not Canadian Tire. As a result, Emson has made false and misleading statements tending to discredit the wares of Supertek contrary to the provisions of section 7(a) of the *Trade-marks Act*.

V. Damages and Causation

[28] Damages are, as previously stated, an essential element in a claim under section 7(a) of the *Trade-marks Act*. Supertek claims three sorts of damages:

- Cancelled orders. The evidence shows that Canadian Tire cancelled two orders totalling 9,996 units of the Pocket Hose with Supertek.
- Lack of access to individual Canadian Tire dealerships (called FMA's by Canadian Tire). The evidence shows that an Orillia dealer did order 300 units of Pocket Hose from Supertek, the transaction was handled manually. No other dealer ordered the Pocket Hose.
- Canadian Tire never placed any further orders for Pocket Hose with Supertek. Supertek assumes that it would have sold 64,500 units of 50 foot Pocket Hoses for each of the years 2013 and 2014.

[29] There must, however, be a causal link between the wrongful activity in uttering false and misleading statements and the alleged damage suffered.

[30] Justice Sopinka of the Supreme Court of Canada wrote about causation in his reasons, for the Court, in *Snell v Farrell*, [1990] 2 SCR 311. He wrote that there must be causation, that is, a relationship between the tortious act and the injury to the victim. While the plaintiff bears the burden of proving causation, the Court may look at the evidence as a whole on a robust and pragmatic basis in order to determine if there is causation. I repeat some of which he wrote at pages 326, 328 and 330:

At 326:

Causation is an expression of the relationship that must be found to exist between the tortious act of the wrongdoer and the injury to the victim in order to justify compensation of the latter out of the pocket of the former. Is the requirement that the plaintiff prove that the defendant's tortious conduct caused or contributed to the plaintiff's injury too onerous? Is some lesser relationship sufficient to justify compensation?

...

At 328:

*I am of the opinion that the dissatisfaction with the traditional approach to causation stems to a large extent from its too rigid application by the courts in many cases. Causation need not be determined by scientific precision. It is, as stated by Lord Salmon in *Alphacell Ltd. v. Woodward*, [1972] 2 All E.R. 475, at p. 490:*

... essentially a practical question of fact which can best be answered by ordinary common sense rather than abstract metaphysical theory.

*Furthermore, as I observed earlier, the allocation of the burden of proof is not immutable. Both the burden and the standard of proof are flexible concepts. In *Blatch v. Archer* (1774), 1 Cowp. 63, 98 E.R. 969, Lord Mansfield stated at p. 970:*

It is certainly a maxim that all evidence is to be weighed according to the proof which it was in the power of one side to have produced, and in the power of the other to have contradicted.

...

And at 330:

The legal or ultimate burden remains with the plaintiff, but in the absence of evidence to the contrary adduced by the defendant, an inference of causation may be drawn although positive or scientific proof of causation has not been adduced. If some evidence to the contrary is adduced by the defendant, the trial judge is entitled to take account of Lord Mansfield's famous precept. This is, I believe, what Lord Bridge had in mind in Wilsher when he referred to a "robust and pragmatic approach to the ...facts" (p. 569)

[31] In the present case, were it not for the evidence of Janny Ng, I would have found, by inference, that there was a causal link between the false and misleading statements made by Mishan and Guindi of Emson, and the damages alleged to have been suffered by Supertek. However, the evidence of Janny Ng is otherwise. Her evidence is, in effect, that Canadian Tire was happy with the Xhose product and intended to stick with it. The Pocket Hose purchase was a one-time only buy and Canadian Tire did not want to have an inventory problem by handling two product lines; while the discussions with Emson were stressful, they ultimately played no part in the decisions made by Canadian Tire.

[32] I repeat some of the evidence of Janny Ng:

At pages 40 to 42 of the transcript in direct examination:

Q. Roughly how many units are we talking?

A. It was about 13,000 units.

Q. And did Canadian Tire cancel these orders for the Pocket Hose?

A. Yes.

*Q. And you say in your email:
"We are having to cancel these POs."*

A. Yes.

Q. And why did you have to cancel these POs?

A. Because it was an internal decision to go ahead with the flyer to meet the dealer's demand for this flyer only, but this demand, as we decided, came in after the flyer. So dealers were buying in not to support the flyer. They would support sales after the flyer, and that wasn't what we were intending to do.

Q. How, if at all, were the threats by Emson of a possible lawsuit a factor in this business decision?

A. They definitely were stressful, but they were not the reason why we were -- we went ahead and made those decisions. We actually focused on the fact that we didn't want to support the program after the flyer, because we want to make sure that -- given the fact that we were also supplying Emson's product, we didn't want to have all these products, and it would cause overstock situations in our warehouse. So the decision at that point was, okay, we tab, we tab really well, which means the orders came in for the Pocket Hose and they did really well. That means we were successful. We're going to now wait for the sales to happen in stores. Given that that season was very rainy, we didn't also want the products to be stuck in stores, and also we had the XHose. So we had two competing products in stores that could potentially be overstocked for the dealers. So we want to make sure that we stopped it, almost like turn off the tap, so we don't cause a lot of inventory issues later on.

Q. And this business decision was discussed with Greg?

A. With Greg, with Mandeep. You know, even though we talked internally in terms of the stress of the threats, that wasn't the reason why we made the decision. It was basically a business decision. Inventory management is a big portion of my job, to make sure that we don't carry a lot of inventory for -- to have it, because there's a lot of times that we are stuck with a lot of product that is irrelevant for the customer.

Q. But the stress of these threats was part of the discussion?

A. It is part of the thought process.

Q. And did -- the Orillia store of Canadian Tire, do you know whether they later bought themselves 300 units of Pocket Hose?

A. Yeah, I don't know about that. I don't know specific FMAs, so for approvals that actually get executed. It was approved, so we welcomed Supertek to take the time and actually approach the stores individually to supply them. But for the national program, it wasn't go forward.

Q. Right. And at tabs KK and LL of the brief of emails, I see an email from David DeSouza to you on June 3rd and the response back from you that day where David DeSouza asks if they could do an FMA to satisfy stores. Do you see that?

A. Yes.

Q. And then the response back to you saying: "We cannot approve any FMAs at this time."

A. Yeah, I would have to go back to check on the FMA, why it wasn't approved. I personally allowed that to happen, so I would have to double check on that one.

Q. So that was a corporate decision?

A. I would have to say yes.

At pages 61 to 63 in cross-examination:

Q. Fair enough. Do you recall -- or were you involved in any sort of discussion regarding the outcome of the litigation?

A. No.

Q. Do you know if that was a consideration at all within Canadian Tire as to the outcome of the litigation?

A. No.

Q. Once Canadian Tire gets an indemnification from their supplier, the issue of the litigation, if they're not sued themselves, isn't the reason why they're making their buying decisions, is that fair?

A. That's correct. Once we get the indemnity letter, we feel more comfortable, and my take on it is basically source

products that supplies customers' needs and demands and so on and so forth gives me the ability to think freely for my own customers and make sure that I buy products that will meet the demands of the customers, whether it's a demand driven by a TV commercial or it's a specific household need. That allows me to think solely on the customer.

Q. So here you had received two indemnifications from Supertek?

A. Correct.

Q. And your decisions regarding which expandable hose products you were going to carry were based on business decisions regarding the product, their sales, their advertising, the items we've talked about?

A. Correct.

Q. You didn't cancel any purchase orders for Pocket Hose because of something Emson said to you?

A. No. If -- like, definitely the conversations were not pleasant with Emson, but the idea is that the -- you know, my conviction is to really go ahead with the strategy that we started in 2012: Offer XHose as an inline SKU. So that's the one that we would replenish and make sure that our dealers and our customers have access to it. The opportunity buy -- Pocket Hose was always an opportunity buy. Had we felt the threat or really considered the threat of the legal actions from Emson, we would have actually pulled the flyer, not -- pulled the flyer, basically cancelled the promotion activity, and actually returned the product to Supertek.

Q. And that's not what you did, is it?

A. No. We actually bought -- the original forecast for every flyer, a one-time buy, is around 15,000 units. I believe my latest numbers when I pulled, we ordered about 20 some odd thousand units. We sold through. It was a successful flyer, despite the rainy season, and yeah, we carried on.

Q. So Supertek -- I mean Canadian Tire, rather, carried out the plans that they had made in 2012?

A. Correct.

Q. And those plans were carried out based on the business decisions of the company?

A. Right.

[33] Given this evidence I must conclude that there is no causal link between the false and misleading statements made by Emson and the damages alleged to have been suffered by Supertek. Therefore, the claim by Supertek under section 7(a) of the *Trade-marks Act* must fail.

VI. Damage Quantification

[34] Having found that the section 7(a) claim must fail it is unnecessary for me to make findings as to the quantification of damages. I will offer a few comments as to the evidence however.

[35] The evidence as to quantification of Supertek's claim comes entirely from the second affidavit of Noiseux, exhibit P2. That evidence is heavily criticized by Emson's expert Heys. Having read Noiseux's affidavit and Heys' report and observed each of them in the witness box I have concluded that the evidence of Noiseux is quite unsatisfactory. It includes fundamental errors such as confusing US and Canadian dollars. It fails to take into account items such as cost of shipping and receiving. In estimating what the sales of Pocket Hose would have been in a "but for" world the use of Magic Mesh, a screen product, which comparison is unsatisfactory. The manner in which Noiseux handled himself in the witness box when dealing with these issues has led me to conclude that he is not at all familiar with such calculations or adept in handling the topic. I would find that Supertek has not satisfactorily established a quantification of its damages.

VII. Conclusion and Costs

[36] In summary, I have found that, while Emson, through Mishan and Guindi, have made false and misleading statements, no causal link to Supertek's alleged damages has been established. Supertek's section 7(a) claim fails.

[37] Turning to costs in respect of this summary trial as well as costs of the proceedings that were reserved in my June 3, 2016 decision (2016 FC 613) I did indicate to Counsel at the hearing that I would invite submissions in this respect. However, having further considered the matter it will be unnecessary to hear from them as I find that each party should bear its own costs, thus no order will be made as to costs.

[38] The principal issue in this action, which has taken several trials and hearings, was the validity and infringement of the '882 patent. Once that was resolved by a finding of invalidity by this Court affirmed by the Federal Court of Appeal the remaining issues as to validity of the design and the section 7(a) claim should have been settled. Emson tried to get rid of the design issue by a "dedication" but Supertek persisted, and won, on the invalidity issue. But why bother? Supertek's section 7(a) claim kept shrinking as the matter proceeded to summary trial, only the Canadian Tire issue and the years 2013-2014 remained from a much broader claim. On the surface there was something to that claim but the evidence of Janny Ng, which nobody could have predicted, put an end to it. More rational persons would have settled the matter once the patent issue had been finally determined. It is appropriate for each party to bear its own costs.

JUDGMENT

THIS COURT'S JUDGMENT is that:

1. Supertek's claim under section 7(a) of the *Trade-marks Act* is dismissed.
2. No Order as to costs.

"Roger T. Hughes"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

DOCKET: T-1112-13

STYLE OF CAUSE: E. MISHAN & SONS, INC. AND BLUE GENTIAN, LLC
v SUPERTEK CANADA INC., INTERNATIONAL
EDGE, INC. AND TELEBRANDS CORP.

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